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SUBJECT: AMBASSADOR HIGHLIGHTS STABILITY AND ECONOMIC SUCCESSES IN
GENERAL SANTOS CITY, MINDANAO

SUMMARY

¶1. During a visit on September 22, Ambassador gained a firsthand look at the economic successes in General Santos City and the surrounding area. USG investment in the region's infrastructure has transformed the economy. Investments have dramatically increased, particularly in the tuna and agriculture sectors. The tuna industry seeks to expand market share through upcoming trade agreements. The RP armed forces in the area have reorganized and are working with local communities to maintain regional stability. The Ambassador was well-received, and there was positive local and national press coverage throughout the visit. End summary.

USAID-Funded Improvements Strengthen Economy

¶2. USAID involvement in Mindanao intensified during the 1980s in an effort to bolster the Aquino administration by helping to strengthen the national economy. USAID implemented the "Mindanao Development Project," an infrastructure development program, from 1992 to 1996 in General Santos City, South Cotabato and Sarangani provinces. USAID funded a new international airport in General Santos City (\$52 million), a major expansion and upgrade of Makar Port, the principal seaport (\$22 million), and the construction of 180 kilometers of road in the region (\$35 million). USAID also introduced an investment promotion program advocating investment in the newly developed General Santos region. These development projects were successful, and the region now accounts for 20% of Mindanao's total economic output.

Armed Forces Reorganize to Enhance Regional Stability

¶3. Ambassador and Embaffs met the Commanders of the 1002nd Infantry Brigade and Task Force General Santos, as well as Mayor Pedro Acharon. 1002nd Colonel Porto stated that the greatest threat in the region is the New People's Army (NPA), though he estimated the number of local NPA members at less than five hundred.

¶4. Mayor Acharon said the AFP is working with the local government to increase security in the area. AFP has provided basic training to village residents so they can protect their communities. The Philippine National Police has also worked with local communities to ensure that they are not forced to pay taxes to the NPA. Both the Mayor and the AFP officials lamented that the AFP forces are inadequate for the region, with a ratio of 1 soldier to 1500 residents. Consequently, the Mayor has used city funds to hire fifty reservists to be trained and used in the city environs.

Internet Enhances Learning at a Rural High School

¶5. The Ambassador reinforced U.S. support for education during a kick-off ceremony for the USAID-funded Computer Literacy and Internet Connection (CLIC) program at a rural high school in South Cotabato Province. This school is one of eleven schools in the province receiving assistance through the CLIC program. The program is providing seven computers, peripherals, and one year of internet service. The school parent-teacher community association will assume responsibility for subsequent years of internet service and computer maintenance.

Tuna and Agriculture Dominant in General Santos City

¶6. In a lunch with local business and political leaders, the Ambassador discussed General Santos City's successful economy. Formerly focused solely on agriculture, the economy of the region has been transformed by the USAID-financed infrastructure. People are migrating to General Santos City from other provinces, as the region boasts of one of the lowest unemployment rates in the country at 5.4%. Infrastructure improvements have encouraged international investment. Several American companies, including Cargill, Phillips Seafood, Marsman-Drysdale and Dole have established operations in the area. Ambassador discussed the importance of supporting English language education in order to attract call centers and other investors to the region. Participants noted that the influx of people has increased the need for additional schools.

¶7. According to business leaders, the tuna industry provides 100,000 jobs and has a combined canning capacity of 570 metric tons per day. The United States is the biggest market for canned tuna

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and Japan is currently the largest market for fresh sashimi-grade tuna. Tuna industry representatives do not anticipate long-term benefits from the recently signed Japanese-Philippines Economic Partnership Agreement, for while the agreement lowers tariffs, export quotas remain low. Tuna industry leaders expressed concern about the Philippines' small market share for pouched tuna, emphasizing that Ecuadorian tuna is benefiting from lower tariff rates through the Andean Trade Preference and Drug Eradication Act.

Dole Provides Boost to Local Economy

¶8. The Ambassador paid a visit to Dole Philippines, which has extensive operations in the General Santos City area, with a plantation and cannery in the surrounding countryside and a privately owned wharf. The company employs approximately 20,000 workers and growers. According to Dole managers, one of the factors leading to Dole's selection of this location was the highly developed USAID-funded road network. Dole is currently embroiled in a four-month labor dispute with its unionized employees. The company is considering downsizing operations due to chronic labor problems and concerns over oversupply in 2006. Embassy Manila is closely following the current situation and working with Dole on solutions.

KENNEY